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UNCLAS SECTION 01 OF 04 MONROVIA 000618

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SUBJECT: CODEL BUTTERFIELD MEETING WITH PRESIDENT SIRLEAF

¶1. (U) August 17, 2009; Monrovia, Liberia.

¶2. (U) PARTICIPANTS:

U.S.

Charge d'Affaires, a.i. Brooks Robinson
Representative G.K. Butterfield (D-NC)
Representative Sheila Jackson-Lee (D-TX)
Representative Lacy Clay (D-MO)
Representative Gwen Moore (D-WI)
Representative Steven Cohen (D-TN)
USAID Liberia Mission Director Pamela White
Steven Koutsis, Acting Deputy Chief of Mission
Angelle Kwemo, Counsel, Subcommittee on Commerce, Trade and Consumer Protection
Timothy Robinson, subcommittee staffer
Shannon Weinberg, subcommittee staffer
Ingrid Gavin Parks, personal staff of Representative Bobby Rush (D-IL)
Nishith Pandya, personal staff of Representative Bobby Rush (D-IL)
Economic Officer Sarah Gonzales (notetaker)

LIBERIA

President Ellen Johnson Sirleaf
Minister of Foreign Affairs Olubanke King-Akerele
Minister of Agriculture Florence Chenoweth
Minister of Commerce and Industry Miata Beysolow
Minister of Lands, Mines and Energy Eugene Shannon
Minister Without Portfolio Nathaniel Davis
Chairman of the National Investment Commission Richard Tolbert
Commissioner of the National Port Authority Matilda Parker
Acting Minister of Finance Tarnue Mawolo

¶3. (SBU) SUMMARY: The President and her Cabinet emphasized that Liberia is "open for business," and expressed gratitude to CODEL Butterfield for wanting to encourage more trade and investment between Liberia and the United States. They outlined investment opportunities in agriculture, natural resources and the extractive industries and discussed efforts to improve the investment climate, while cautioning that challenges remain, particularly in terms of weak infrastructure and rule of law. CODEL Butterfield expressed continued USG support for Liberia. END SUMMARY.

¶4. (SBU) The President thanked CODEL Butterfield for their visit, emphasizing that such high-level delegations reinforce her conviction that while Liberia faces challenges in terms of infrastructure and human capacity, enormous economic opportunity does exist. She introduced the Cabinet ministers present and called upon each to brief the delegation on Liberia's economic reconstruction, its natural resource wealth, and its efforts to reform the investment climate and create a more favorable environment for international investors.

Peace and Security

¶15. (SBU) In the absence of the Minister of National Defense, President Sirleaf thanked the USG for its leadership in rebuilding the Armed Forces of Liberia, and pointed out that it will take two years or more for the AFL to become fully operational. Rebuilding the police force, however, remains a challenge, and the establishment of a viable police force is key to development.

Agriculture as the Engine of Economic Growth

¶16. (SBU) Minister of Agriculture Florence Chenoweth said that Liberia is an agrarian culture with fertile soil and a large rural population, which is nonetheless plagued with food insecurity as a result of the devastating civil war. The re-emergence of both commercial and small-scale agriculture will be the key to sustained economic growth, while rebuilding livestock, seed supply and a national research capability are also important. She thanked USAID for its significant support to the agriculture sector, and encouraged the USG to continue its efforts to train agricultural professionals, not only at the senior levels, but also small-scale local farmers. She added her biggest challenge as the new Minister of Agriculture would be to reverse urban migration and encourage Liberians to return to farming.

Natural Resources and Investment Opportunities

¶17. (SBU) In what he called a "paradox of poverty," Richard Tolbert, Chairman of the National Investment Commission, emphasized that Liberia enjoys a wealth of natural resources, including rubber, iron

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ore, gold, diamonds and timber, but for that wealth to translate into economic growth and opportunity for all Liberians, the GOL's first priority must remain sound resource management and good governance. He thanked the USG for its support through the Governance and Economic Management Assistance Program (GEMAP), and said that as GEMAP concludes, assistance will migrate to public financial management capacity building. In this way, the GOL will continue to improve the investment climate to attract large-scale foreign direct investment. He touted Liberia's revised Investment Code and Revenue Code, and said the GOL recognizes that it must improve not only the legal architecture but also the country's physical infrastructure in order to attract more investment.

¶18. (SBU) Given that the GOL employs only 36,000 people, or roughly one percent of the population, Tolbert emphasized that the private sector, and not the public sector, must be the engine of pro-poor growth. To that end, the National Investment Commission is working specifically to attract investments that will stimulate job creation. Tolbert noted that until all Liberians have a personal stake in the country's economy, long-term political stability cannot be assured.

¶19. (SBU) Minister of Lands Mines and Energy Eugene Shannon added that there were extensive opportunities in mining. He noted that the Mt. Coffee Dam, if renovated could generate 100 MW of electricity, but has the capacity to generate 1,000 MW if a larger reservoir were built.

¶10. (SBU) Rep. Cohen praised President Sirleaf's efforts to build good governance, noting that in 2007 President Sirleaf was honored at the National Civil Rights Museum in Memphis, Tennessee, his congressional district.

Trade and AGOA

¶11. (SBU) Minister of Commerce and Industry (MOCI) Miata Beysolow said that Liberia is struggling to break free of its import dependence and identify possible export markets. Thanks to the African Growth and Opportunity Act, Liberia qualifies for duty-free access to U.S. markets for over 7,000 products, but given limitations in its productive capacity, it has not been able to take advantage of this benefit. Beysolow said she received guidance on

how to obtain an apparel visa during her recent trip to the AGOA Forum in Nairobi, adding she was hopeful that Liberia could begin exporting some traditional fabrics and clothing to small boutiques in the United States.

¶12. (SBU) The MOCI is working on an export development strategy, and may target a few promising agricultural products such as cocoa, coffee, cassava and chili peppers. She also hopes to encourage value-added exports, such as furniture made from rubber wood, and she sees the potential for an American company to build a fruit canning plant in Liberia.

¶13. (SBU) Representative Gwen Moore (D-WI) noted that the fishing industry could be a major source of exports, and Minister Beysolow agreed, adding Namibia recently agreed to provide technical assistance to Liberia to help develop an export-oriented fishing industry.

Transportation Infrastructure

¶14. (SBU) Commissioner of the National Port Authority Matilda Parker thanked the CODEL for their visit August 16 to the Freeport of Monrovia, adding that the challenges the delegation witnessed at the port encapsulate Liberia's infrastructure shortcomings, but also demonstrate the opportunities for economic revitalization with the help of international private and public sector partners. As the newly-appointed commissioner, she declared her intention to make the Freeport the premier port in West Africa, despite its infrastructure limitations, by marketing its low tariffs (she said Monrovia had the lowest tariffs in Africa) and strategic location.

¶15. (SBU) Representative Sheila Jackson-Lee (D-TX) said she spoke unanimously for the delegation in declaring their conviction that a revitalized port could be the key to an economic renaissance in Liberia. She said the CODEL would work with Congressional colleagues to see if there was a possibility of facilitating additional USG funding to reconstruct the marginal wharf.

¶16. (SBU) Representative Jackson-Lee added that the advent of a direct flight between Liberia and the United States would provide an enormous boost to the Liberian economy. She said the House Subcommittee on Homeland Security, of which she is a member, would welcome such a flight, but that the decision rested with the

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Transportation Security Administration, and would be based on safety and security criterion rather than political considerations. She urged the Liberian Civil Aviation Administration to produce a needs assessment requested by the TSA, and said that TSA's upcoming technical assistance to Liberia should serve as a signal that the United States shares Liberia's eagerness to establish a direct flight.

Impact of the Global Financial Crisis

¶17. (SBU) Even though Liberia is only a nascent player in global markets, Acting Minister of Finance Tarnue Mawolo emphasized that Liberia continues to be hard hit by the global economic slowdown. As global food prices hit record levels in mid-2008, the GOL chose to remove tariffs on food imports such as rice, which mitigated price increases for poor consumers, but also reduced government revenues. Revenue losses continued this year, as global commodity prices sank, and customs taxes--which account for 60% of Liberia's total revenue--declined. Further, foreign investors' appetite for risk and access to capital continues to diminish, and Liberia is struggling to attract potentially lucrative investment in iron ore, forestry and rubber.

¶18. (SBU) Mawolo continued that such revenue losses have a direct impact on the GOL's ability to provide services to its citizens. Under the Highly Indebted Poor Country Initiative (HIPC), Liberia is prohibited from contracting new sovereign debt, which means it cannot conduct countercyclical spending to offset these revenue losses. Instead, the GOL is forced to cut government expenditures

from an already-modest budget.

¶19. (SBU) Mawolo said that in three years, Liberia's external debt has been reduced from \$4.9 billion to \$1.7 billion, and all the remaining debt to the International Financial Institutions will be eliminated when Liberia reaches HIPC Completion Point, probably in ¶2010. Most of Liberia's private external debt has been bought at 3 cents to a dollar, in line with the Paris Club rules, but there were two hedge fund (or "Vulture Fund") holdouts. When Rep. Moore asked who the holdouts were and what could be done, President Sirleaf suggested she contact Steve Radelet of the Center for Global Development, who has been following the issue. Rep Cohen said that he had briefly seen a draft bill on the matter before his departure and promised to look at the bill more closely upon his return to Washington.

Rule of Law

¶20. (SBU) President Sirleaf concluded by acknowledging that governance and the rule of law remain Liberia's biggest constraint to growth. She explained that during 14 years of civil war, chronic deprivation and poor compensation led to endemic corruption in the civil service. She said the GOL has raised civil service salaries from US\$ 15 to US\$ 80 per month, in order to deter corruption, and the General Auditing Commission aims to expose mismanagement and malfeasance. The President also emphasized she wishes to focus future reform efforts on the judicial sector, where poorly educated jurors remain susceptible to bribery and coercion, ill-trained judges must be retrained and "re-oriented," because they cannot be fired, and the accused languish in unsuitable prisons for months or years while awaiting trial.

¶21. (SBU) President Sirleaf spoke briefly on foreign affairs, saying that while debate on domestic issues continues, Liberia cannot ignore its place in the world. Liberia is in a volatile subregion, and will "walk with" its Guinean neighbors through the elections. She closed on a positive note, emphasizing that Liberia is proud of its independent media, and its freedom of speech and association.

¶22. (SBU) Rep Butterfield thanked the President for the comprehensive briefing. Rep. Jackson-Lee added that she hopes to return with a business delegation to learn about investment possibilities. She will look into revitalizing the Sister City relationship between Houston and Monrovia, and will brief energy companies, especially minority energy companies, in Texas about opportunities in Liberia. She noted that Monsanto is in the congressional district of another member of the delegation (Rep. Clay) and perhaps opportunities in agriculture can be pursued.

¶23. (U) This cable has been cleared by CODEL Butterfield.

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